

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

Burr Oak Community School District
Saint Joseph County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended June 30, 2005

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Burr Oak Community School District
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Burr Oak Community School District's (the District) financial performance provides a narrative overview of the District's financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

- The District's total net assets decreased \$154,185 (11 percent) as a result of this year's operations.
- Of the \$1,231,667 total net assets reported, \$600,785 is available to be used to meet future operating and capital improvement needs.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year was \$468,139, which represents 18 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

The District's basic financial statements are comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide financial statements.
 - The governmental funds statements tell how general government services, like instruction and supporting services, were financed in the short term, as well as what remains for future spending.
 - Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-wide statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

Burr Oak Community School District
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Government-wide statements (Continued)

The two government-wide statements report the District's net assets and how they have changed. Net assets (the difference between the District's assets and liabilities) is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors, such as changes in the condition of the District's capital assets.

The government-wide financial statements present governmental activities. These activities include functions most commonly associated with schools (e.g., instruction, food service, and athletics). Intergovernmental revenues and property taxes finance these activities.

Fund financial statements

The fund financial statements provide more detailed information about the District's most significant funds - not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

The District has two kinds of funds:

- **Governmental funds.** Most of the District's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out and, (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement that explains the relationship (or differences) between them.
- **Fiduciary funds.** The District is the trustee, or fiduciary, for certain assets that - because of a trust arrangement - can only be used for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

Burr Oak Community School District
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. Total net assets at the end of the fiscal year were \$1,231,667, a decrease of 11 percent compared to the prior year. Of this total, \$630,882 is invested in capital assets. Consequently, unrestricted net assets were \$600,785, or 49 percent of the total.

	<u>2004</u>	<u>2005</u>	<u>Percentage change</u>
Current assets	\$ 807,095	\$ 1,050,346	30%
Noncurrent assets	<u>717,325</u>	<u>630,882</u>	-12%
Total assets	<u>1,524,420</u>	<u>1,681,228</u>	10%
Current liabilities	<u>138,568</u>	<u>449,561</u>	224%
Net assets:			
Invested in capital assets	717,325	630,882	-12%
Unrestricted	<u>668,527</u>	<u>600,785</u>	-10%
Total net assets	<u>\$ 1,385,852</u>	<u>\$ 1,231,667</u>	-11%

Changes in net assets

The District's total revenues are \$2,772,293, with approximately 78 percent coming from unrestricted state aid. The total cost of all the District's programs amounted to \$2,929,478.

	<u>2004</u>	<u>Percent</u>	<u>2005</u>	<u>Percent</u>	<u>Percentage change</u>
Program revenues:					
Charges for services	\$ 101,914	4%	\$ 101,568	4%	0%
Operating grants	284,396	11%	327,323	12%	15%
General revenues:					
Unrestricted state aid	2,168,690	80%	2,174,303	78%	0%
Property taxes	110,644	4%	140,529	5%	27%
Other	<u>30,685</u>	1%	<u>31,570</u>	1%	3%
Total revenues	<u>2,696,329</u>	100%	<u>2,775,293</u>	100%	3%
Expenses:					
Instruction	1,804,311	63%	1,905,687	65%	6%
Supporting services	816,367	29%	826,511	28%	1%
Food service	99,100	3%	88,598	3%	-11%
Athletics	129,140	5%	108,682	4%	-16%
Interest	<u>969</u>	0%	<u>-</u>	0%	-100%
Total expenses	<u>2,849,887</u>	100%	<u>2,929,478</u>	100%	3%
Decrease in net assets	<u>\$ (153,558)</u>		<u>\$ (154,185)</u>		

Burr Oak Community School District
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Governmental activities. Governmental activities decreased the District's net assets by \$154,185. The decrease is consistent with the prior year and is primarily caused by depreciation expense in excess of \$117,000.

The cost of all governmental activities this year was \$2,929,478. After subtracting the direct charges to those who directly benefited from the programs (\$101,568), and operating grants (\$327,323), the "public benefit" portion covered by state aid, property taxes, and other general revenues was \$2,500,587.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental funds. At June 30, 2005, the District's governmental funds reported a combined fund balance of \$600,785, a decrease of \$67,742 in comparison with the prior year.

The General Fund is the chief operating fund of the District. At the end of the fiscal year, unreserved fund balance was \$594,151. Total fund balance decreased by \$65,653 during the fiscal year primarily due to capital expenditures of more than \$30,000. The General Fund continues to maintain an adequate unreserved fund balance approximating 22 percent of expenditures that will allow the District to maintain its current level of services.

General Fund budgetary highlights

The District amended the General Fund budget during the current year in accordance with state statutes. In an effort to control costs, total budgeted expenditures were decreased by \$71,993 or 2.6 percent.

Capital assets and debt administration

Capital Assets

The District's investment in capital assets as of June 30, 2005, amounts to \$630,882 (net of accumulated depreciation). This investment includes a broad range of assets. The decrease in the District's net investment in capital assets for the current fiscal year was \$86,443.

Major capital asset events occurred during the current fiscal year included the following:

- Construction of a press box for the athletic field totaling \$12,064
- Purchase of ten computers for \$9,885
- Purchase of hall security cameras for \$8,887

More detailed information about the District's capital assets is presented in Note 5 of the notes to the basic financial statements.

Debt administration

The District had no long-term debt at the beginning or end of the current fiscal year.

Economic factors and next year's budget

The District's budget for the next year projects further reductions in state aid. The District has set aside enough net assets to offset this loss in revenues.

Burr Oak Community School District
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Contacting the District's financial management

This financial report is designed to provide a general overview of the District's finances to those with an interest in the District's finances and to demonstrate the District's accountability for the money it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Business Manager
Burr Oak Community School District
326 East Eagle Street
P.O. Box 337
Burr Oak, Michigan 49030

Phone: (269) 489-2213

INDEPENDENT AUDITORS' REPORT

Board of Education
Burr Oak Community School District

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Burr Oak Community School District, as of June 30, 2005, and for the year then ended, which collectively comprise the Burr Oak Community School District's basic financial statements as listed in the contents. These financial statements are the responsibility of the Burr Oak Community School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Burr Oak Community School District at June 30, 2005, and the respective changes in financial position thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have issued our report dated August 16, 2005, on our consideration of Burr Oak Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information, on pages i through iv, and 19 through 24, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Burr Oak Community School District's basic financial statements. The supplementary information, as listed in the contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Siegfried Crandall P.C.

August 16, 2005

BASIC FINANCIAL STATEMENTS

Burr Oak Community School District**STATEMENT OF NET ASSETS***June 30, 2005*

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 22,119
Investments	541,444
Receivables, net	478,484
Inventories	<u>8,299</u>
Total current assets	1,050,346
Noncurrent assets	
Capital assets, net of accumulated depreciation	<u>630,882</u>
Total assets	<u>1,681,228</u>
LIABILITIES	
Current liabilities:	
Payables	159,561
Short-term notes payable	<u>290,000</u>
Total current liabilities	<u>449,561</u>
NET ASSETS	
Invested in capital assets	630,882
Unrestricted	<u>600,785</u>
Total net assets	<u><u>\$ 1,231,667</u></u>

See notes to the financial statements

Burr Oak Community School District
STATEMENT OF ACTIVITIES
Year ended June 30, 2005

		<u>Program revenues</u>		<u>Net (expenses)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>revenues and</u>
	<u>Expenses</u>	<u>services</u>	<u>grants and</u>	<u>changes in</u>
Functions/Programs			<u>contributions</u>	<u>Governmental</u>
				<u>activities</u>
Governmental activities:				
Instruction	\$ 1,905,687	\$ 15,537	\$ 264,112	\$ (1,626,038)
Supporting services	826,511	50,627	-	(775,884)
Food service	88,598	21,417	63,211	(3,970)
Athletics	<u>108,682</u>	<u>13,987</u>	<u>-</u>	<u>(94,695)</u>
Total governmental activities	<u>2,929,478</u>	<u>101,568</u>	<u>327,323</u>	<u>(2,500,587)</u>
General revenues:				
Property taxes				140,529
State aid not restricted to specific purposes				2,174,303
Investment income				7,334
Other				<u>24,236</u>
Total general revenues				<u>2,346,402</u>
Change in net assets				(154,185)
Net assets - beginning				<u>1,385,852</u>
Net assets - ending				<u>\$ 1,231,667</u>

See notes to the financial statements

Burr Oak Community School District
BALANCE SHEET - governmental funds

June 30, 2005

	<u>General</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
ASSETS			
Cash	\$ 19,124	\$ 2,995	\$ 22,119
Investments	541,444	-	541,444
Receivables	477,892	592	478,484
Due from other funds	5,252	-	5,252
Inventories	<u>5,000</u>	<u>3,299</u>	<u>8,299</u>
Total assets	<u>\$ 1,048,712</u>	<u>\$ 6,886</u>	<u>\$ 1,055,598</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payables	\$ 159,561	\$ -	\$ 159,561
Note payable	290,000	-	290,000
Due to other funds	<u>-</u>	<u>5,252</u>	<u>5,252</u>
Total liabilities	<u>449,561</u>	<u>5,252</u>	<u>454,813</u>
Fund balances:			
Reserved for inventories	5,000	3,299	8,299
Unreserved:			
Designated	126,012	-	126,012
Undesignated (deficit)	<u>468,139</u>	<u>(1,665)</u>	<u>466,474</u>
Total fund balances	<u>599,151</u>	<u>1,634</u>	<u>600,785</u>
Total liabilities and fund balances	<u>\$ 1,048,712</u>	<u>\$ 6,886</u>	

Amounts reported for *governmental activities* in the statement of activities are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

630,882

Net assets of *governmental activities*

\$ 1,231,667

See notes to the financial statements

Burr Oak Community School District**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds***Year ended June 30, 2005*

	<u>General</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
REVENUES			
Local sources:			
Property taxes	\$ 140,529	\$ -	\$ 140,529
Other	94,427	38,711	133,138
State sources	2,246,110	2,493	2,248,603
Federal sources	192,305	60,718	253,023
	<u>2,673,371</u>	<u>101,922</u>	<u>2,775,293</u>
Total revenues			
	<u>2,673,371</u>	<u>101,922</u>	<u>2,775,293</u>
EXPENDITURES			
Instruction	1,809,970	-	1,809,970
Supporting services	807,253	-	807,253
Food service	-	88,598	88,598
Athletics	-	102,943	102,943
Capital outlay	30,301	3,970	34,271
	<u>2,647,524</u>	<u>195,511</u>	<u>2,843,035</u>
Total expenditures			
	<u>2,647,524</u>	<u>195,511</u>	<u>2,843,035</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>25,847</u>	<u>(93,589)</u>	<u>(67,742)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	110	91,610	91,720
Transfers out	(91,610)	(110)	(91,720)
	<u>(91,500)</u>	<u>91,500</u>	<u>-</u>
Total other financing sources (uses)			
	<u>(91,500)</u>	<u>91,500</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(65,653)	(2,089)	(67,742)
FUND BALANCES - BEGINNING	<u>664,804</u>	<u>3,723</u>	<u>668,527</u>
FUND BALANCES - ENDING	<u>\$ 599,151</u>	<u>\$ 1,634</u>	<u>\$ 600,785</u>

See notes to the financial statements

Burr Oak Community School District
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds (Continued)
Year ended June 30, 2005

	<u>Total governmental funds</u>
Net change in fund balances - total governmental funds (Page 8)	\$ (67,742)
Amounts reported for <i>governmental activities</i> in the statement of activities (Page 6) are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	
	<u>(86,443)</u>
Change in net assets of <i>governmental activities</i>	<u>\$ (154,185)</u>

See notes to the financial statements

Burr Oak Community School District
STATEMENT OF FIDUCIARY NET ASSETS - *fiduciary funds*
June 30, 2005

	<i>Private-purpose trusts</i>	<i>Agency</i>
ASSETS		
Cash	\$ 30,116	\$ 59,155
Loans receivable	<u>8,680</u>	<u>-</u>
Total assets	<u>38,796</u>	<u>59,155</u>
LIABILITIES		
Due to student groups	<u>-</u>	<u>59,155</u>
NET ASSETS		
Held in trust for other purposes	<u>\$ 38,796</u>	<u>\$ -</u>

See notes to the financial statements

Burr Oak Community School District
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - *fiduciary funds*
June 30, 2005

	<u><i>Private-purpose trusts</i></u>
ADDITIONS	
Interest:	
Investments	\$ 221
Loans	<u>275</u>
Total additions	496
DEDUCTIONS	
Scholarships awarded	<u>100</u>
CHANGE IN NET ASSETS	396
NET ASSETS - BEGINNING	<u>38,400</u>
NET ASSETS - ENDING	<u>\$ 38,796</u>

See notes to the financial statements

Burr Oak Community School District
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of Burr Oak Community School District (the District) conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies used by the District:

a) Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the District. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The District has determined that no outside agency meets the above criteria and, therefore, no other agency has been included as a blended or discretely-presented component unit in the District's financial statements.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the District. The effect of all interfund activity has been removed from these statements. Governmental activities, normally supported by intergovernmental revenues and taxes, are reported in these statements. All of the District's activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The major individual governmental fund is reported as a separate column in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Burr Oak Community School District
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures relating to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental fund:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

Additionally, the District reports the following fund type:

The private-purpose trust funds are used to account for resources legally held in trust for use by students seeking higher education. All resources of the funds, including any earnings on invested resources, may be used to provide scholarships and loans to students seeking higher education. There is no requirement that any portion of these resources be preserved as capital.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict the standards of the Governmental Accounting Standards Board. The District has elected not to follow subsequent private-sector standards.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; and (2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

d) Assets, liabilities, and net assets or equity:

i) Deposits and investments - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are reported at fair value. Investments for the District are reported at fair value.

Burr Oak Community School District
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

ii) Receivables and payables - In general, outstanding balances between funds are reported as "due to/from other funds."

All receivables are considered to be fully collectible.

iii) Inventories - All inventories are valued at cost using the first-in, first-out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

iv) Capital assets - Capital assets, which include property, equipment, and vehicles, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10 - 50 years
Furniture and equipment	3 - 20 years
Vehicles	8 years

v) Compensated absences - It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated vacation and sick leave since the District does not have a policy to pay any amounts when employees separate from service with the government. The contingent liability for unpaid accumulated vacation and sick leave has been reported in Note 9.

vi) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the debt service fund, which is not required to adopt a budget. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the Board is the functional level. All annual appropriations lapse at the end of the fiscal year.

Burr Oak Community School District
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND INVESTMENTS:

Cash and investments as of June 30, 2005 are classified in the accompanying financial statements as follows:

Statement of net assets:

Governmental activities:

Cash	\$ 22,119
Investments	541,444
Fiduciary funds - cash	<u>89,271</u>

Total cash and investments \$ 652,834

Cash and investments as of June 30, 2005, consist of the following:

Deposits with financial institutions	\$ 111,390
Investments	<u>541,444</u>

Total cash and investments \$ 652,834

a) Deposits:

State statutes and the District's investment policy authorize the District to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The District's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the District will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. As of June 30, 2005, \$33,881 of the District's bank balances of \$155,009 was exposed to custodial credit risk because it was uninsured.

b) Investments:

State statutes and the District's investment policy authorize the District to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper, with three (3) highest rate classifications by at least two (2) rating services, maturing not later than 270 days; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; and e) qualified investment pools. Not more than 50% of any fund may be invested in commercial paper.

The District's investments consist of holdings in the Michigan Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund, which holds qualified investments for school districts in Michigan. MILAF is not regulated by, nor is it registered with, the SEC. The fair value of the District's investment in this pool is reported at amounts based upon the District's pro-rata share of the fair value provided by MILAF for the entire MILAF portfolio (in relation to the amortized cost of that portfolio). The District's holdings are carried at cost, which approximates fair value.

Burr Oak Community School District
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES:

At June 30, 2005, the District's receivables were as follows:

	<u>Property taxes</u>	<u>Inter- governmental</u>
Governmental activities:		
General Fund	\$ 8,377	\$ 469,515
Nonmajor governmental funds	-	592
Total governmental activities	<u>\$ 8,377</u>	<u>\$ 470,107</u>

All receivables are due within one year and are considered to be fully collectible.

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2005, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets being depreciated:				
Buildings	\$ 1,177,846	\$ -	\$ -	\$ 1,177,846
Furniture and equipment	1,163,334	30,835	-	1,194,169
Vehicles	204,810	-	-	204,810
Subtotal	<u>2,545,990</u>	<u>30,835</u>	<u>-</u>	<u>2,576,825</u>
Less accumulated depreciation for:				
Buildings	758,271	12,927		771,198
Furniture and equipment	925,388	84,559	-	1,009,947
Vehicles	145,006	19,792	-	164,798
Subtotal	<u>1,828,665</u>	<u>117,278</u>	<u>-</u>	<u>1,945,943</u>
Total capital assets being depreciated, net	<u>\$ 717,325</u>	<u>\$ (86,443)</u>	<u>\$ -</u>	<u>\$ 630,882</u>

Depreciation expense was charged to governmental activities of the District as follows:

Instruction	\$ 95,717
Supporting services	19,792
Athletics	<u>1,769</u>
Total	<u>\$ 117,278</u>

Burr Oak Community School District
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

At year-end, the composition of the District's interfund balances is as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
General	\$ <u>5,252</u>	Food service	\$ <u>5,252</u>

A summary of interfund transfers for the year ended June 30, 2005, is as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
Other governmental funds	\$ 91,610	General	\$ 91,610
General	<u>110</u>	Other governmental funds	<u>110</u>
	\$ <u>91,720</u>		\$ <u>91,720</u>

The interfund receivable and payable balances resulted from the time lag between the dates that interfund goods and services are provided and payments between funds are made.

The transfer out of the General Fund moved unrestricted resources to supplement operational costs of the Athletic Fund in accordance with budgetary requirements. The Debt Service Fund transferred its remaining balance to the General Fund.

NOTE 7 - PAYABLES:

At June 30, 2005, the District's payables were as follows:

	<u>Accounts</u>	<u>Payroll</u>
Governmental activities:		
General Fund	\$ <u>8,915</u>	\$ <u>150,646</u>

NOTE 8 - NOTE PAYABLE:

At June 30, 2005, the District has outstanding a \$290,000 state aid note dated August 19, 2004. The note, with an interest rate of 1.985%, matures August 19, 2005. The note is secured by the full faith and credit of the District as well as pledged state aid.

NOTE 9 - DEFINED BENEFIT PENSION PLAN:

Plan description - The District participates in the Michigan Public School Employees' Retirement System (MPERS), a cost-sharing, multiple-employer defined benefit pension plan that covers all employees of the District. MPERS provides retirement, survivor, and disability and death benefits to plan members and their beneficiaries. Public Act 300 of 1980 of the State of Michigan assigns the authority to establish and amend benefit provisions to the MPERS Board of Trustees. MPERS issues a publicly-available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MPERS, P.O. Box 30673, Lansing, Michigan 48909-8103, or, by calling 1-800-381-5111.

Burr Oak Community School District
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - DEFINED BENEFIT PENSION PLAN (Continued):

Funding policy - Employer contributions to MPSERS result from the implementing effects of the School Finance Reform Act. Each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

Annual pension costs - The District is currently required to contribute 14.87 percent of its annual covered payroll. The contribution requirements of the plan members are established, and may be amended, by the MPSERS Board of Trustees. The District's contributions to the Plan for the years ending June 30, 2005, 2004, and 2003, were \$220,942, \$192,242, and \$187,095, respectively, equal to the required contributions for each year.

NOTE 10 - CONTINGENT LIABILITIES:

The District is a reimbursing employer to the Michigan Employment Security Commission (MESC) and, as such, is responsible to pay MESC for those benefits paid and charged to its account. As of June 30, 2005, appropriate liabilities have been recorded for all claims paid by MESC. However, no provision has been made for future payments that might result from claims in process or unfilled.

The District is contingently liable, at June 30, 2005, for approximately \$319,000 of nonvested accumulated sick pay benefits.

NOTE 11 - RISK MANAGEMENT:

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), and medical benefits provided to employees. The District has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

Burr Oak Community School District
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended June 30, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES FROM LOCAL SOURCES				
Property taxes	\$ 110,512	\$ 124,512	\$ 140,529	\$ 16,017
Interest	2,000	4,500	7,334	2,834
Other	49,150	61,464	87,093	25,629
Total revenues from local sources	<u>161,662</u>	<u>190,476</u>	<u>234,956</u>	<u>44,480</u>
REVENUES FROM STATE SOURCES				
Direct appropriations from the state - state school aid	2,210,000	2,174,356	2,174,404	48
Restricted grants:				
Special education	58,000	71,705	71,706	1
Other	220	150	-	(150)
Total revenues from state sources	<u>2,268,220</u>	<u>2,246,211</u>	<u>2,246,110</u>	<u>(101)</u>
REVENUES FROM FEDERAL SOURCES				
Appropriations from the state representing:				
Title I	102,617	77,300	77,799	499
Title II	34,002	34,002	33,338	(664)
Title V	1,240	1,240	1,756	516
At-risk	60,460	78,330	78,161	(169)
Safe and drug free schools	1,750	1,750	1,251	(499)
Total revenues from federal sources	<u>200,069</u>	<u>192,622</u>	<u>192,305</u>	<u>(317)</u>
Total revenues	<u>2,629,951</u>	<u>2,629,309</u>	<u>2,673,371</u>	<u>44,062</u>

Burr Oak Community School District
BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended June 30, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES				
Instruction:				
Elementary grades:				
Salaries of teachers	\$ 235,579	\$ 231,000	\$ 215,623	\$ 15,377
Salaries of substitutes and aides	21,300	29,300	29,046	254
Teaching supplies	7,000	5,500	4,729	771
Textbooks	1,200	3,800	396	3,404
Consumable books	3,300	3,300	2,072	1,228
Fringe benefits	137,431	141,638	143,414	(1,776)
Other	1,700	1,700	64	1,636
Total elementary grades	<u>407,510</u>	<u>416,238</u>	<u>395,344</u>	<u>20,894</u>
Secondary grades:				
Salaries of teachers	445,387	430,000	428,647	1,353
Salaries for extra duty assignments	21,500	18,000	17,275	725
Salaries of substitutes	7,000	13,040	10,141	2,899
Teaching supplies	8,000	13,000	12,175	825
Textbooks	12,000	25,100	22,607	2,493
Consumable books	1,500	1,500	803	697
Fringe benefits	282,684	263,742	255,121	8,621
Dual enrollment tuition	4,000	9,800	9,805	(5)
Other	4,750	3,050	1,346	1,704
Miscellaneous supplies	6,300	8,300	6,950	1,350
Total secondary grades	<u>793,121</u>	<u>785,532</u>	<u>764,870</u>	<u>20,662</u>
Guidance services:				
Salaries of guidance counselors	45,397	45,397	45,390	7
Salaries of secretaries	11,980	11,980	11,049	931
Fringe benefits	21,392	19,265	19,917	(652)
Travel, workshops, and conferences	300	300	277	23
Supplies	4,000	900	897	3
Total guidance services	<u>83,069</u>	<u>77,842</u>	<u>77,530</u>	<u>312</u>

Burr Oak Community School District
BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended June 30, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Instruction (continued):				
Principal office:				
Salaries of principals	\$ 83,028	\$ 83,028	\$ 83,028	\$ -
Salaries of secretaries	46,322	46,322	48,499	(2,177)
Fringe benefits	51,783	53,430	52,699	731
Travel, workshops, and conferences	1,500	1,500	1,590	(90)
Miscellaneous supplies	7,000	5,500	5,137	363
Total principal office	189,633	189,780	190,953	(1,173)
Summer school:				
Salaries of teachers	4,000	4,000	3,000	1,000
Salaries of aides and substitutes	500	500	491	9
Teaching supplies	1,500	1,500	-	1,500
Fringe benefits	1,014	1,014	720	294
Total summer school	7,014	7,014	4,211	2,803
Special education:				
Salaries of teachers	69,826	69,826	69,826	-
Salaries of aides and substitutes	31,051	20,140	20,772	(632)
Fringe benefits	47,289	42,642	43,245	(603)
Travel, workshops, and conferences	500	500	246	254
Supplies	1,500	1,809	1,734	75
Total special education	150,166	134,917	135,823	(906)
At-risk:				
Salaries of teachers	77,959	57,132	88,160	(31,028)
Salaries of aides and substitutes	19,745	10,100	9,971	129
Fringe benefits	58,714	45,011	53,074	(8,063)
Supplies	16,050	15,550	7,333	8,217
Total at-risk	172,468	127,793	158,538	(30,745)
Tuition to other schools	87,503	83,003	82,701	302
Total instruction	1,890,484	1,822,119	1,809,970	12,149

Burr Oak Community School District
BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)
Year ended June 30, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Supporting services:				
Library:				
Salary	\$ 37,538	\$ 37,538	\$ 38,261	\$ (723)
Library books	600	600	465	135
Newspaper and periodicals	950	950	759	191
Audio visual and computer supplies	1,600	1,600	697	903
Fringe benefits	16,925	14,932	15,271	(339)
Total library	<u>57,613</u>	<u>55,620</u>	<u>55,453</u>	<u>167</u>
Instructional improvement	<u>33,552</u>	<u>40,122</u>	<u>34,318</u>	<u>5,804</u>
Suspension aide:				
Salary	17,392	17,392	11,467	5,925
Fringe benefits	3,916	3,916	2,031	1,885
Total suspension aide	<u>21,308</u>	<u>21,308</u>	<u>13,498</u>	<u>7,810</u>
Summer recreation program	<u>2,900</u>	<u>4,380</u>	<u>4,061</u>	<u>319</u>
Career preparation	<u>5,210</u>	<u>5,070</u>	<u>4,779</u>	<u>291</u>
Health services - contracted services	<u>1,000</u>	<u>1,000</u>	<u>484</u>	<u>516</u>
Administration:				
Salaries of board of education	4,200	4,200	4,020	180
Salary of superintendent	75,176	75,176	75,696	(520)
Salary of business manager	39,146	39,146	39,146	-
Office clerk salary	8,000	8,000	2,957	5,043
Legal fees	4,200	4,200	3,198	1,002
Audit fees	10,250	9,000	9,000	-
Office supplies	6,400	6,700	5,312	1,388
Postage	4,200	3,500	3,680	(180)
Travel, workshops, and conferences	7,700	7,400	7,175	225
Publishing and printing	3,000	3,000	450	2,550
Fringe benefits	66,685	61,307	65,286	(3,979)
Miscellaneous	9,300	12,250	11,842	408
Total administration	<u>238,257</u>	<u>233,879</u>	<u>227,762</u>	<u>6,117</u>

Burr Oak Community School District
BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)
Year ended June 30, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Supporting services (continued):				
Transportation:				
Salaries of bus drivers	\$ 39,200	\$ 35,200	\$ 32,783	\$ 2,417
Salary of transportation supervisor	3,000	10,000	13,000	(3,000)
Salaries for special events	8,000	7,000	6,517	483
Gasoline, oil, and grease	15,000	15,000	15,566	(566)
Tires, tubes, and batteries	1,500	2,200	2,202	(2)
Vehicle repairs/parts	17,500	17,500	19,208	(1,708)
Vehicle insurance	3,000	2,204	2,204	-
Fringe benefits	28,402	24,519	25,072	(553)
Miscellaneous	2,600	2,600	2,521	79
Total transportation	<u>118,202</u>	<u>116,223</u>	<u>119,073</u>	<u>(2,850)</u>
Operation and maintenance:				
Salaries and custodial services	72,448	72,448	72,489	(41)
Heating fuel	36,000	42,000	34,383	7,617
Utilities	43,000	43,000	40,481	2,519
Telephone	7,000	9,000	8,778	222
Insurance	10,500	12,900	12,871	29
Custodial supplies	33,000	37,000	37,092	(92)
Contracted plant maintenance	32,000	18,560	20,341	(1,781)
Fringe benefits	55,007	44,342	43,925	417
Miscellaneous	5,000	5,000	4,505	495
Total operation and maintenance	<u>293,955</u>	<u>284,250</u>	<u>274,865</u>	<u>9,385</u>
Technology coordinator:				
Salary	33,217	33,217	33,218	(1)
Fringe benefits	29,577	26,294	20,140	6,154
Contracted services	20,500	20,000	18,161	1,839
Supplies	13,000	3,300	1,212	2,088
Travel, workshops, and conferences	300	800	229	571
Total technology coordinator	<u>96,594</u>	<u>83,611</u>	<u>72,960</u>	<u>10,651</u>
Total supporting services	<u>868,591</u>	<u>845,463</u>	<u>807,253</u>	<u>38,210</u>

Burr Oak Community School District
BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended June 30, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Capital outlay - new and replacement furniture and equipment	\$ 5,500	\$ 25,000	\$ 30,301	\$ (5,301)
Total expenditures	<u>2,764,575</u>	<u>2,692,582</u>	<u>2,647,524</u>	<u>45,058</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(134,624)</u>	<u>(63,273)</u>	<u>25,847</u>	<u>89,120</u>
OTHER FINANCING SOURCES (USES)				
Transfer in - 1996 Debt Service Fund	-	-	110	110
Transfer out - Athletic Fund	<u>(108,189)</u>	<u>(95,431)</u>	<u>(91,610)</u>	<u>3,821</u>
Total other financing (uses)	<u>(108,189)</u>	<u>(95,431)</u>	<u>(91,500)</u>	<u>3,931</u>
NET CHANGE IN FUND BALANCES	<u>(242,813)</u>	<u>(158,704)</u>	<u>(65,653)</u>	<u>93,051</u>
FUND BALANCES - BEGINNING	<u>664,804</u>	<u>664,804</u>	<u>664,804</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 421,991</u>	<u>\$ 506,100</u>	<u>\$ 599,151</u>	<u>\$ 93,051</u>

SUPPLEMENTARY INFORMATION

Burr Oak Community School District
COMBINING BALANCE SHEET - nonmajor governmental funds

June 30, 2005

	<u>Special revenue funds</u>		<u>Debt Service Fund</u>	<u>Total nonmajor governmental funds</u>
	<u>Food Service</u>	<u>Athletic Activities</u>	<u>1996 Bond issue</u>	
ASSETS				
Cash	\$ 1,959	\$ 1,036	\$ -	\$ 2,995
Receivables	592	-	-	592
Inventory	3,299	-	-	3,299
Total assets	<u>\$ 5,850</u>	<u>\$ 1,036</u>	<u>\$ -</u>	<u>\$ 6,886</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	<u>\$ 5,252</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,252</u>
Fund balances:				
Reserved for inventory	3,299	-		3,299
Unreserved, undesignated	(2,701)	1,036	-	(1,665)
Total fund balances	<u>598</u>	<u>1,036</u>	<u>-</u>	<u>1,634</u>
Total liabilities and fund balances	<u>\$ 5,850</u>	<u>\$ 1,036</u>	<u>\$ -</u>	<u>\$ 6,886</u>

Burr Oak Community School District**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - nonmajor governmental funds**

Year ended June 30, 2005

	<u>Special revenue funds</u>		<u>Debt Service Fund</u>	<u>Total nonmajor governmental funds</u>
	<u>Food Service</u>	<u>Athletics</u>	<u>1996 Bond issue</u>	
REVENUES				
Local sources:				
Food service	\$ 21,417	\$ -	\$ -	\$ 21,417
Athletic gate receipts	-	13,987	-	13,987
Other	1,370	1,937	-	3,307
State grants	2,493	-	-	2,493
Federal grants	60,718	-	-	60,718
	<u>85,998</u>	<u>15,924</u>	<u>-</u>	<u>101,922</u>
Total revenues				
EXPENDITURES				
Current:				
Food purchases	27,260	-	-	27,260
Salaries and wages	30,264	61,642	-	91,906
Fringe benefits	19,847	19,978	-	39,825
Commodity usage	4,873	-	-	4,873
Supplies	2,198	6,234	-	8,432
Contracted services	1,173	9,660	-	10,833
Miscellaneous	2,983	5,429	-	8,412
Capital outlay	-	3,970	-	3,970
	<u>88,598</u>	<u>106,913</u>	<u>-</u>	<u>195,511</u>
Total expenditures				
DEFICIENCY OF REVENUES OVER EXPENDITURES	(2,600)	(90,989)	-	(93,589)
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	-	91,610	(110)	91,500
NET CHANGE IN FUND BALANCES	(2,600)	621	(110)	(2,089)
FUND BALANCES - BEGINNING	<u>3,198</u>	<u>415</u>	<u>110</u>	<u>3,723</u>
FUND BALANCES - ENDING	<u>\$ 598</u>	<u>\$ 1,036</u>	<u>\$ -</u>	<u>\$ 1,634</u>

Burr Oak Community School District
COMBINING BALANCE SHEET - private-purpose trust funds

June 30, 2005

	<u><i>Educational Loan</i></u>	<u><i>Endowment Scholarship</i></u>	<u><i>Totals</i></u>
ASSETS			
Cash	\$ 22,103	\$ 8,013	\$ 30,116
Loans receivable	<u>8,680</u>	<u>-</u>	<u>8,680</u>
Total assets	<u>\$ 30,783</u>	<u>\$ 8,013</u>	<u>\$ 38,796</u>
 FUND BALANCE	 <u>\$ 30,783</u>	 <u>\$ 8,013</u>	 <u>\$ 38,796</u>

Burr Oak Community School District**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - private-purpose trust funds***Year ended June 30, 2005*

	<u><i>Educational Loan</i></u>	<u><i>Endowment Scholarship</i></u>	<u><i>Totals</i></u>
REVENUES			
Local sources:			
Interest	\$ 214	\$ 7	\$ 221
Other	<u>275</u>	<u>-</u>	<u>275</u>
Total revenues	489	7	496
EXPENDITURES	<u>-</u>	<u>100</u>	<u>100</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	489	(93)	396
NET ASSETS - BEGINNING	<u>30,294</u>	<u>8,106</u>	<u>38,400</u>
NET ASSETS - ENDING	<u>\$ 30,783</u>	<u>\$ 8,013</u>	<u>\$ 38,796</u>

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Education
Burr Oak Community School District

We have audited the accompanying financial statements of Burr Oak Community School District, as of and for the year ended June 30, 2005, and have issued our report thereon dated August 16, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Burr Oak Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Burr Oak Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management and the Board of Education and is not intended to be, and should not be, used by anyone other than these specified parties.

Siegfried Crandall P.C.

August 16, 2005